

## Message Text

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FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 5307

INFO AMCONSUL JOHANNESBURG

UNCLAS PRETORIA 3783

E.O. 11652: N/A

TAGS: ECRP, EGEN, EMIN, SF

SUBJ: ECONOMIC TRENDS REPORT, JUNE 1976

REF: STATE 207287

1. FOLLOWING DATA PREPARED CHIEFLY BY AMCONSUL JOHANNESBURG IS PROVIDED IN RESPONSE TO REFTEL. SHOULD BE NOTED THAT DATA BELOW DRAWS ON RECENTLY UPDATED SAG STATISTICS TO REVISE SOME PRELIMINARY STATISTICS GIVEN IN PAGE 6, PARA 6 OF JUNE TRENDS REPORT. DEPT MAY ALSO WISH TO DRAW ON JOHANNESBURG'S A-65 OF AUG 18, 1976 FOR ADDITIONAL STATISTICS AND TEXT SUPPORTING STATEMENTS GIVEN BELOW.

2. GOLD PRODUCTION HAS BEEN FALLING STEADILY SINCE ITS PEAK OF JUST OVER ONE MILLION KILOGRAMS IN 1970. THE DECLINE IS LARGELY ATTRIBUTABLE TO THE INTERNATIONAL MINING OF LOWER GRADE ORES (FOLLOWING PRICE IRSES IN THE EARLY 1970'S) AND, TO A LESSER DEGREE, LABOR PROBLEMS. THE 713,447 KILOGRAMS (REVISED) PRODUCED IN 1975 WAS 6.0 PERCENT BELOW 1974 OUTPUT, AND 16.6 PERCENT BELOW THAT OF 1973, BUT INDICATIONS ARE THAT THE DOWNWARD TREND MAY BE REVERSED IN 1976. NEW CAPACITY IS BEING BROUGHT ON STREAM, SUPPORTED BY A STEPPED-UP UP URANIUM (CO-PRODUCT) PRODUCTION FROM A NUMBER OF THE COUNTRY'S GOLD MINES; IN PART AS A HEDGE AGAINST A WEAKENING GOLD MARKET AND AS AN

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EFFORT TO DIVERSIFY, AND STRENGTHEN, FOREIGN

EXCHANGE EARNINGS.

3. IN 1975, INCOME FROM MINING INCREASED BY 8 PERCENT ABOVE 1974 AND CONTRIBUTED \$4.91 BILLION TO A 1975 GROSS DOMESTIC PRODUCT OF \$29.64 BILLION-- BY WORLD STANDARDS AN EXCEPTIONALLY STRONG 16.6 PERCENT OF GDP. THE VOLUME OF MINERAL PRODUCTION IN 1975 INCREASED BY 8 PERCENT ABOVE 1974 OUTPUT. LOCAL SALES QUANTITIES AND VALUES ROSE ONLY marginally BY 6 AND 3 PERCENT RESPECTIVELY, WHEREAS EXPORTS DISPLAYED MORE SIGNIFICANT GAINS: AT 14 PERCENT IN QUANTITY AND 33PERCENT IN VALUE. MEANWHILE, IMPORTS OF ORES, CONCENTRATES AND METALS DURING 1975 WERE HELD TO A MODERATE 3 PERCENT RISE IN OVERALL QUANTITY AND CONCURRENTLY REGISTERED AN IMPORTANT 23 PERCENT VALUE (COST) DECLINE.

4. OF THE TOTAL VALUE OF MINING (GROSS INCOME) IN 1975, GOLD ACCOUNTED OF 60 PERCENT, PLATINUM GROUP METALS, 9 PCERCENT; BITUMINOUS COAL 7 PERCENT; DIAMONDS, 4 PERCENT; COPPER, 3 PERCENT; NICKEL 1 PERCENT; IRON ORE, 1 PERCENT; ANTHRACITE, ANTIMONY, CHROMITE, LIMESTONE, PHOSPHATE, SIVER, URANIUM, VANADIUM AND ZINC ACCOUNTED FOR LESS THAN 1 PERCENT EACH, BUT REPRESENTED AN AGGREGATE OF 4 PERCENT; AND OTHER, LESSER IMPORTANT, MINERALS COMPRISED THE REMAINDER, AT 7 PERCENT. INCLUDING GOLD, SILVER AND DIAMONDS, EXPORTS OF ORES, CONCENTRATES AND METALS CONTRIBUTED ABOUT 56.1 PERCENT TO THE COUNTRY'S TOTAL EARNINGS FROM EXPORTS IN 1975, COMPARED TO 56.6 PERCENT IN THE PREVIOUS YEAR. IF, HOWEVER, GOLD, SIVER AND DIAMONDS ARE EXCLUDED FROM EXPORT DATA (AS PUBLISHED BY SAG), ORES, CONCENTRATES AND METALS WOULD THEREFORE APPEAR TO HAVE ACCOUNTED FOR 24.7 PERCENT OF THE COUNTRY'S EARNINGS FROM EXPORTS IN 1975, COMPARED TO 20.9 PERCENT DURING 1974. IMPORTANT COMMODITIES REGISTERING PRODUCTION GAINS(IN DESCENDING ORDER OF INCREASE) INCLUDE ZINC CONCENTRATES (UP 88 PERCENT TO 127,624 METRIC TONS), UNCLASSIFIED

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PHOSPHATE ORE (UP 49 PERCENT TO 11.6 MILLION TONS), PLATINUM GROUP METALS (UP 34 PERCENT TO 2.5 MILLION TROY OUNCES), VANADIUM (COMBINED FROM IN V205) (UP 31 PERCENT TO 19,000 TONS), MANGANESE ORE (ALL GRADES) (UP 22 PERCENT TO 5.9 MILLION TONS), ANTHRACITE (UP 11 PERCENT TO 1.6 MILLION TONS), CHROMITE (UP 11 PERCENT TO 2.1 MILLION TONS), HEMATITE IRON ORE (UP 8 PERCENT TO 9.4 MILLION TONS), ASBESTOS (ALL TYPES)

(UP 6 PERCENT TO 354,710 TONS), BITUMINOUS COAL (UP 5 PERCENT TO 67.8 MILLION TONS) AND ANTIMONY ORE (UP 2 PERCENT TO 637,500 TONS). COPPER, DIAMOND AND FLUORSPAR EACH DECLINED marginally. (SEE GOLD, ABOVE.)

5. WITH THE DOWNTURN IN THE PRICE OF GOLD IN THE FIRST HALF OF 1976 AND THE EXPANSION OF HANDLING FACILITIES FOR THE EXPORT OF BULK MINE PRODUCTS, IT IS EXPECTED THAT 1976 WILL SEE A RELATIVE DECLINE IN THE PERCENTAGE CONTRIBUTION OF GOLD TO TOTAL EXPORTS AND A CORRESPONDING INCREASE IN THE ROLE OF NON-GOLD MINING PRODUCTS. NEW PORT FACILITIES AT RICHARDS BAY (WHICH OPENED IN APRIL) AND SALDANHA BAY (DUE TO OPEN LATE IN 1976) WILL GIVE A PARTICULAR IMPETUS TO COAL AND IRON ORE EXPORTS. PRELIMINARY EXPORT FIGURES FOR THE FIRST SIX MONTHS OF 1976 SHOW THE RAND VALUE OF THE MAIN CATEGORIES OF MINERAL AND BASE METAL EXPORTS (EXCLUDING GOLD AND DIAMONDS) INCREASED BY NEARLY 50 PERCENT OVER THE SAME PERIOD IN 1975 (R604 MILLION COMPARED TO R402 MILLION). WHILE GOLD'S ROLE AS SOUTH AFRICA'S MOST IMPORTANT SINGLE EXPORT IS NOT THREATENED, THERE ARE INCREASING INDICATIONS THAT THE TOTAL EXPORT VALUE OF OTHER METALS AND MINERALS WILL EQUAL THAT OF GOLD IN 1976.  
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